THIRTY-NINTH
ANNUAL REPORT

2012

(Fiscal Year ended June 30th)

LAW FOUNDATION
(www.lawfoundation.sk.ca)

Report from the Chair

I am pleased to provide the thirty-ninth annual report of the Law Foundation of Saskatchewan for the fiscal year ended June 30, 2012. This report is provided to the Minister of Justice of Saskatchewan and to the Law Society of Saskatchewan pursuant to section 79 of *The Legal Profession Act, 1990*.

Our Purpose

The Law Foundation of Saskatchewan was established in 1971. The legislative purpose of the Foundation is to establish and maintain a fund to be used for legal education, legal research, legal aid, law libraries and law reform.

To meet its purpose the Foundation's fund consists of interest earned on trust funds on deposit in lawyers' mixed trust accounts and the investment income earned on those funds. All such trust funds earn interest at rates negotiated between the Law Foundation and the various financial institutions where lawyers maintain trust accounts. From its fund the Foundation makes grants to organizations and individuals for programs and projects that are consistent with the legislative purpose of the Foundation.

Financial Highlights

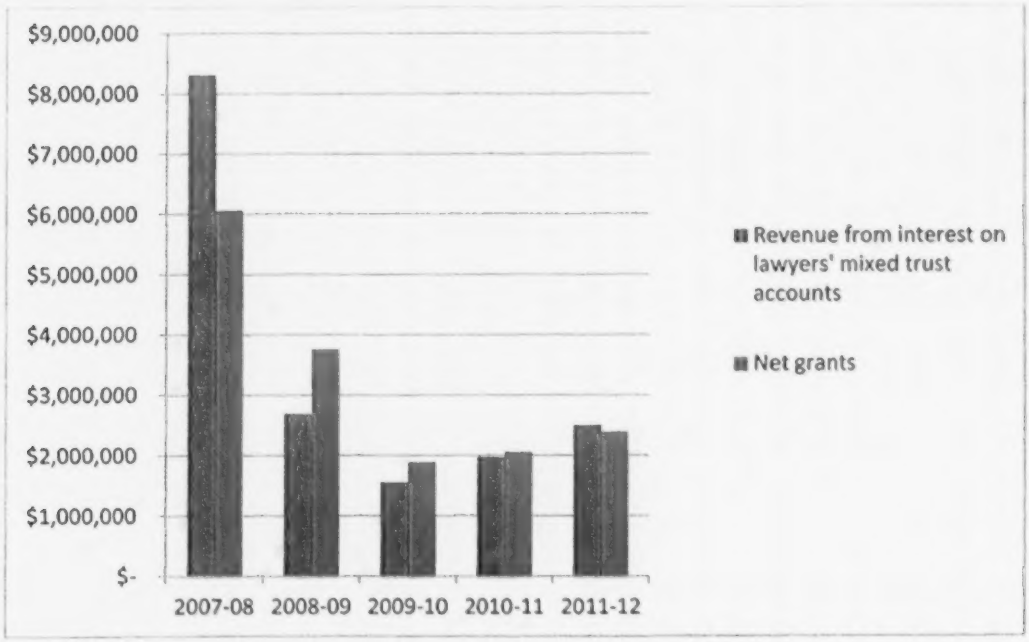
During the year ended June 30, 2012, the total amount of interest earned on lawyers' mixed trust accounts and paid to the Foundation was $2.5 million compared to $1.97 million in the 2011 year. Investment income was $400,000 compared to $380,000 in 2011. Income for the past four years has been substantially reduced from levels prior to the financial crisis of 2008 due primarily to significantly lower interest rates. During this period economic activity in Saskatchewan has been strong and the levels of activity in lawyers' mixed trust accounts has increased. As a result the Foundation's revenues from the mixed trust accounts increased in 2012.

Most financial institutions reduced their interest floor rates to an all time low due to the 2008 international financial crisis. We appreciate the support of the Bank of Montreal, Canadian Western Bank, Royal Bank of Canada, Scotiabank, and

Saskatchewan's Credit Unions which pay competitive rates of interest in this challenging low rate environment. We continue to encourage the other major Canadian banks to increase their rates. While it is anticipated that market interest rates will eventually rise, the timing of such an increase is unclear.

In this new operating environment, the Foundation continues to be in a strong financial position. Current annual revenues are sufficient to cover the level of support requested by grantees and the Foundation has the financial strength to fund new projects from its reserves.

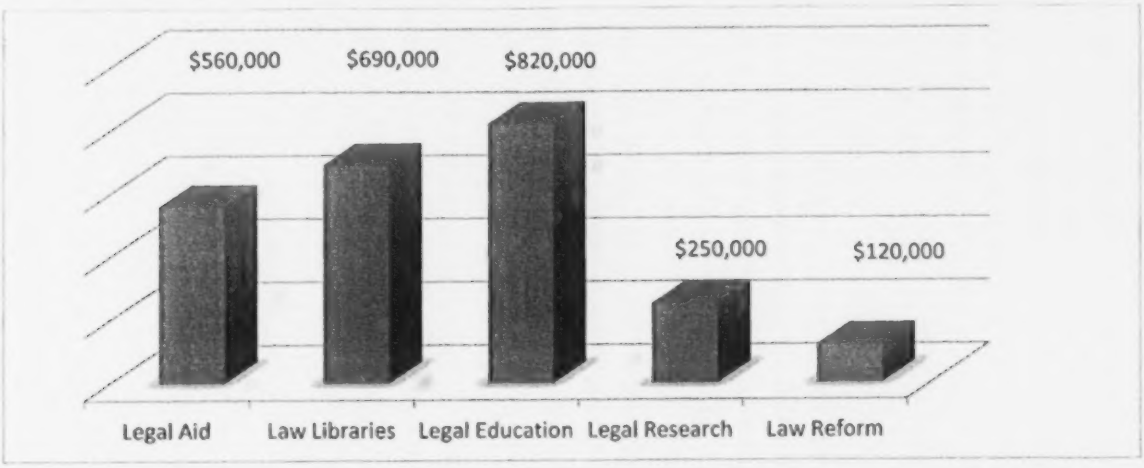
Revenues/Grants 2007-2012



The Foundation maintains a Grant Stabilization Reserve to protect its core grantees - who rely on the Foundation for their primary funding - from the risk of declines in revenues in future years. The Strategic Initiatives Reserve is intended to ensure the Foundation can fund significant Access to Justice projects in future years - particularly in the new operating environment where annual revenues are less than experienced in prior years and annual revenues would not be sufficient to provide funding. On balance the Foundation expects to be able to fund new one-time initiatives and will rebuild its capacity through reserves when interest rates increase.

Grants

The breakdown of the Foundation's 2012 grant expenditures of $2.44 million in accordance with our legislative purposes is set out below.



In addition to its own support of the Native Law Centre at the University of Saskatchewan, the Foundation continues to emphasize the national importance of the Centre and to request the ongoing and increased support of other Law Foundations in Canada for this project.

The organizations we supported during 2012 are listed below. Details of amounts granted are included in the accompanying financial statements included in this Annual Report—see Schedule 1.

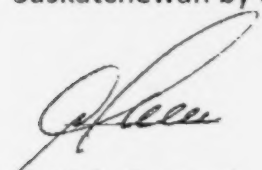
- **Public Legal Education Association**
- **Law Society of Saskatchewan Libraries**
- **Law Society CPLED**
- **Pro Bono Law Saskatchewan**
- **Community Legal Assistance Services for Saskatoon Inner City Inc. (CLASSIC)**
- **Native Law Centre, University of Saskatchewan**
- **Law Reform Commission of Saskatchewan**
- **College of Law, University of Saskatchewan**
- **Elizabeth Fry Society of Saskatchewan**
- **Saskatoon Sexual Assault and Information Centre**
- **Saskatchewan Elocution and Debate Association**
- **Salvation Army Positive Lifestyles Program**

Organizational Matters

The Law Foundation meets on a quarterly basis. Ms. Pat Quaroni - Chair and Mr. Bob Watt, F.C.A. - Treasurer attended the September 2012 annual meeting of the Canadian Association of Law Foundations held in St. John's, Newfoundland. At the annual meeting, the Canadian Law Foundations discussed projects of a national scope and other matters of mutual interest.

I am very pleased to have served with the current members of the Law Foundation. They are listed on the back page of this Annual Report.

On behalf of the members of the Law Foundation of Saskatchewan I am pleased to submit this report. We appreciate the opportunity to serve the people of Saskatchewan by ensuring the Foundation meets its legislated purposes.



Patricia Quaroni
Chair

December 3, 2012

Members of the Law Foundation of Saskatchewan

As of June 30, 2012

Appointed by the Law Society of Saskatchewan

Patricia Quaroni – Chair*
John McIntosh, Q.C. – Vice-Chair
Catherine Knox
Robert Gibbings, Q.C.
Lana Krogan-Stevely, Q.C.

*The Chair is appointed by the Law Society of Saskatchewan

Appointed by the Minister of Justice

Gerald Tegart, Q.C., Deputy Attorney General—Minister's designate
Bob Watt, F.C.A. – Treasurer
Kathryn Ford, Q.C. (effective September 1, 2011)
Irene Seiferling (effective September 1, 2011)

Secretary/Executive Director

Robert Arscott, F.C.A.

Contact

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www.lawfoundation.sk.ca

Left to Right - J. McIntosh, Q.C.; B. Watt, FCA; K. Ford, Q.C.; R. Gibbings, Q.C.; C. Knox; P. Quaroni
(Absent: G. Tegart, Q.C.; I. Seiferling; L. Krogan; R. Arscott, FCA)

LAW FOUNDATION OF SASKATCHEWAN

FINANCIAL STATEMENTS

June 30, 2012

Deloitte

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2103 - 11th Avenue
Mezzanine Level
Bank of Montreal Building
Regina, SK S4P 3Z8
Canada

Tel: 306-565-5200
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INDEPENDENT AUDITOR'S REPORT

To the Members of The Law Foundation of Saskatchewan

We have audited the accompanying financial statements of the Law Foundation of Saskatchewan, which comprise the statement of financial position as at June 30, 2012, and the statements of revenue, expenditures, grants and unallocated surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Law Foundation of Saskatchewan as at June 30, 2012, and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

December 3, 2012
Regina, Saskatchewan

LAW FOUNDATION OF SASKATCHEWAN

STATEMENT OF FINANCIAL POSITION
30th JUNE 2012

	2012	2011
ASSETS		
Cash	$ -	$ 151,463
Cash held by investment dealer	2,581	302,263
Interest receivable from lawyers' mixed trust accounts	446,488	321,268
Investments (Note "4")	12,163,070	11,590,374
	$ 12,612,139	$ 12,365,368
LIABILITIES, RESERVES, AND UNALLOCATED SURPLUS		
Bank indebtedness	$ 1,574	$ -
Accounts payable	638	2,000
Grants payable	1,870,620	1,933,710
	1,872,832	1,935,710
Grant stabilization reserve (Note "2")	6,600,000	6,600,000
Strategic initiatives reserve (Note "2")	3,695,000	3,695,000
Unallocated Surplus	444,307	134,658
	10,739,307	10,429,658
	$ 12,612,139	$ 12,365,368

On behalf of the Foundation:

Chairperson

Robert Watt
Treasurer

LAW FOUNDATION OF SASKATCHEWAN

STATEMENT OF REVENUE, EXPENDITURES, GRANTS, AND UNALLOCATED SURPLUS
FOR THE YEAR ENDED 30th JUNE 2012

		2012		2011
REVENUE:				
Interest from lawyers' mixed trust accounts		$ 2,492,718		$ 1,971,235
Investment income		397,075		384,907
Unclaimed lawyers' mixed trust accounts		1,923		-
Miscellaneous		508		2,456
		2,892,224		2,358,598
EXPENDITURES:				
Administrative				
Foundation members				
- office per diem	$ 30,695		$ 25,750	
- member services	12,503		1,628	
- meetings				
- regular	7,063		8,597	
- special	8,944		9,018	
Office, postage, stationery, telephone	18,020		17,857	
Office of the Secretary	105,426		107,548	
Professional fees	7,651		7,229	
		190,302		177,627
EXCESS OF REVENUE OVER EXPENDITURES BEFORE GRANTS		2,701,922		2,180,971
GRANTS AUTHORIZED (Schedule "1")		(2,438,782)		(2,330,223)
GRANTS RECOVERED		46,509		270,128
EXCESS OF REVENUE OVER EXPENDITURES AND GRANTS FOR THE YEAR		309,649		120,876
UNALLOCATED SURPLUS, BEGINNING OF YEAR		134,658		13,782
UNALLOCATED SURPLUS, END OF YEAR		$ 444,307		$ 134,658

LAW FOUNDATION OF SASKATCHEWAN

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30th JUNE 2012

	2012	2011
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Excess of revenues over expenditures and grants	$ 309,649	$ 120,876
Items not involving cash:		
(Gain) on investments	(26,446)	(59,545)
Change in non-cash working capital items:		
Accounts receivable	-	3,500
Interest receivable from lawyers' mixed trust accounts	(125,220)	(42,961)
Accounts payable	(1,362)	-
Grants payable	(63,090)	(27,915)
	93,531	(6,045)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of investments	(6,519,005)	(3,736,341)
Proceeds on disposal and maturity of investments	5,972,755	4,129,538
	(546,250)	393,197
(DECREASE) INCREASE IN CASH	(452,719)	387,152
CASH POSITION - BEGINNING OF YEAR	453,726	66,574
CASH POSITION - END OF YEAR	$ 1,007	$ 453,726
CASH CONSISTS OF:		
Cash	$ -	$ 151,463
Bank indebtedness	(1,574)	-
Cash held by investment dealer	2,581	302,263
	$ 1,007	$ 453,726

LAW FOUNDATION OF SASKATCHEWAN

NOTES TO THE FINANCIAL STATEMENTS
30th JUNE 2012

1. NATURE OF THE FOUNDATION

The Law Foundation of Saskatchewan (the "Foundation") is established under the *Legal Profession Act of Saskatchewan*. The purpose of the Foundation is to establish and maintain a fund to be used for the purposes of legal education, legal research, legal aid, law libraries and law reform. The Foundation is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles required management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates.

Investments

Investments are classified as held for trading and measured at fair value.

Grants

Grants are expensed at the time they are authorized by the Foundation.

Grant Stabilization Reserve

The Foundation has a goal of insulating continuing programs from fluctuation in the Foundation's income that result from changes in the prime rate and the balances in lawyers' mixed trust accounts that generate income to the Foundation. To accomplish this goal the Foundation maintains a reserve that functions as a stabilization fund.

Strategic Initiatives Reserve (formerly Allocated Revenue)

The Foundation periodically makes one time grants for significant access to justice projects. This reserve has been established by the Board to enhance its capacity to meet its statutory objectives when such projects arise.

Interest

Interest income is recorded as earned from lawyers' mixed trust accounts of the members of the Law Society of Saskatchewan.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments

The Foundation's financial instruments consist of cash, cash held by investment dealer and investments classified as held for trading; accounts receivable and interest receivable from lawyers' mixed trust accounts classified as loans and receivables; accounts payable and grants payable classified as other liabilities. Unless otherwise indicated, it is management's opinion that the Foundation is not exposed to significant currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise disclosed in these financial statements. The Foundation records transactions based on the trade date.

The Foundation is exposed to interest rate risk arising from fluctuations in interest rates and the degree of volatility in these rates. The Foundation does not use derivative instruments to reduce the exposure to risk.

The Foundation has elected to continue to apply CICA Handbook Section 3861 Financial Instruments – Disclosure and Presentation.

Financial assets and financial liabilities are recorded on the statement of financial position when the Foundation becomes party to the contractual provisions of the financial instrument. Financial instruments are classified according to their characteristics, management objectives or the choice of category in certain circumstances.

All financial assets are classified as held for trading, held to maturity, loans and receivables or available for sale. Held for trading financial assets are carried at fair value with unrealized gains and losses included in investment income. Loans and receivables and other liabilities are recorded at amortized cost using the effective interest method. Financial liabilities are classified as held for trading or other liabilities. Any financial asset or financial liability may be designated as held for trading upon initial recognition.

All financial instruments are required to be measured at fair value upon initial recognition. Measurement in subsequent periods is dependent on the instrument's classification. Transaction costs are capitalized on initial recognition, except for financial instruments designated as held for trading in which the transaction costs are expensed.

3. FUTURE ACCOUNTING CHANGES

The Accounting Standards Board of the CICA has approved a new framework for not-for-profit organizations that is based on existing Canadian generally accepted accounting principles and incorporates the current 4400 series of standards which relate to situations unique to the not-for-profit world. The new standards will be effective for the Foundation's fiscal year ending June 30, 2013. The changes to the standards are not expected to have a significant impact on the Foundation's current accounting policies.

4. INVESTMENTS

	2012			2011		
	Fair value	Cost	Yield	Fair value	Cost	Yield
Provincial bonds						
1-3 years	$ 2,114,477	$ 1,952,753	3.09%	$ 1,161,865	$ 1,096,243	3.70%
4-7 years	382,865	351,598	3.18%	1,714,685	1,663,449	2.94%
Corporate bonds						
1-3 years	1,586,577	1,553,256	3.55%	1,188,856	1,156,570	4.16%
4-7 years	879,814	872,290	3.98%	142,455	134,000	3.08%
Guaranteed investment certificates						
1-3 years	2,972,398	2,892,608	3.77%	5,370,051	5,250,000	3.07%
4-7 years	3,956,320	3,905,000	2.64%	1,970,562	1,940,000	3.17%
Savings accounts	270,619	270,619	1.25%	41,900	41,900	2.02%
	$ 12,163,070	$ 11,798,124		$ 11,590,374	$ 11,282,162	

Fair value includes accrued interest of $267,000 (2011 - $240,000).

The Foundation's investments have maturity dates ranging from July 2012 to November 2017 (2011 – July 2011 to December 2016).

5. CAPITAL

The Foundation's capital consists of its grant stabilization reserve, strategic initiatives reserve and unallocated surplus. The Foundation budgets annually for sufficient capital to meet operating requirements. The Foundation is not subject to significant restrictions related to capital, except as otherwise disclosed in these financial statements.

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation in the current year.

LAW FOUNDATION OF SASKATCHEWAN

GRANTS AUTHORIZED
FOR THE YEAR ENDED 30th JUNE 2012

SCHEDULE "1"

	2012	2011
Law Society of Saskatchewan Libraries – Annual	$ 694,415	$ 685,025
Public Legal Education Association – Annual	588,477	561,042
Pro Bono Law – Saskatchewan – 2012 Annual	280,000	255,000
Pro Bono Law – Saskatchewan – 2013 Annual	280,000	-
Elizabeth Fry Society of Saskatchewan – Annual	136,900	71,131
College of Law - Law Foundation of Saskatchewan Endowment Fund	100,000	-
Law Society Bar Course 2012 - CPLED	83,090	93,125
Native Law Centre – Annual	62,000	82,000
Law Reform Commission of Saskatchewan – Annual	60,000	60,000
Elizabeth Fry Society of Saskatchewan – Strong Sisters	48,000	-
College of Law Conference "UN Rights"	28,500	-
College of Law - Future of Laws Conference	15,000	-
Law Society Limitations Manual	15,000	-
Saskatchewan Elocution and Debate Association – Annual	11,000	11,000
Saskatoon Sexual Assault and Information Centre – Annual	10,400	10,400
Salvation Army Positive Lifestyles – Annual	10,000	5,000
Law Society - Trial Advocacy Workshop	10,000	-
CBA Saskatchewan Branch Law Day – Annual	6,000	6,000
Community Legal Assistance Services for Saskatoon Inner City Inc.	-	450,000
Builders Lien Manual	-	20,500
Law Society – Annotated Court of Appeal Rules	-	10,000
Saskatchewan Provincial Judges Association	-	5,000
College of Law – Status of Women	-	5,000
	$ 2,438,782	$ 2,330,223